

Tuesday February 18th 2014

Dear Chairman Catherine Osten, Chairman Peter Tercyack and distinguished members of the Labor & Public Employees Committee

My name is Brian Casey and I am an Operations Director for the Ninety-Nine Restaurants and have been with the company for over 20 years. I am a 15 year Newington resident, moved to Connecticut as part of my company's growth opportunities and was part of the opening management team at our first restaurant in Newington on the Berlin Turnpike. I am writing today to strongly oppose raised minimum wage bill,

Governor's Bill No. 32AN ACT CONCERNING WORKING FAMILIES' WAGES

Benefits Employees:

- In any full service restaurant tipped employees make up 2/3 of the entire staff. The tipped employees are the highest wage earners in the restaurant. These part time jobs allow flexible work schedules, with a large percentage of the population made up of students and working moms.
- Employers face strict penalties (in many cases, loss of tip credit and treble damages) if they take a tip credit without meeting the legal requirements for doing so.
- The employer pays all of the contributory taxes, FICA, FUTA, and SUTA on both the tipped wage paid and the tips received from patrons. There is no other situation where an employer pays taxes on an amount paid by a third party (the customer).
- **Conclusion** – The system works for tipped employees as they are the highest wage earners and this model has driven job growth for supporting positions such as cooks, dishwashers, hosts/hostesses etc.

Benefits Employers:

- Restaurant employers invest in their business to provide conditions that enable employees to earn tips. The full service restaurant industry has built a business model in CT, a state where non-employee business costs are among the highest in the nation. This model is based on the ability to pay 2/3 of the employees the tip wage, but also knowing the tipped employees are the highest earners in the restaurant.
- Restaurants operate with a razor thin bottom line profit already, and that is based on this well balanced business model.
- Restaurants always work to avoid any menu price increase, as every time there is an increase there is a corresponding loss of customer frequency visits.
- The restaurant industry has the highest amount of entrepreneurship of any industry in the state
- **Conclusion** – This works for employers because it fairly compensates the employee and allows the employer to build his business. Additionally, this system keeps menu prices down for the customer, which in turn builds future business.

Benefits Government:

- The restaurant industry is the training ground of a majority of the workforce, whether they stay in the industry or move on. Over 50% of the workforce has worked in a restaurant at some point.
 - The present law ensures that minimum wage will be paid no matter what the wage level is. Employers can only pay the tip wage if the employee is claiming at least the difference between the cash wage and the minimum wage in tips.
 - Working collaboratively with the IRS and the Department of Revenue, employers have dutifully and continually educated their employees of the legal responsibility to declare 100% of the tips they earn.
 - The restaurant industry has been an engine of growth for the nation's employment recovery for the last several years. Restaurants have been the third-largest private-sector job creator since the employment recovery began in March 2010
 - **Conclusion** – The current system is working. It has allowed the highest percentage of employees in a restaurant to earn the highest average wage in the country. It has let employers operate under a business model that has encouraged growth and created jobs and has provided CT with a greatly increased revenue stream.
 - **Fact:** The present law ensures that minimum wage will be paid no matter what the wage level is. Employers can only pay the tip wage if the employee is claiming at least the difference between the cash wage and the minimum wage in tips.
- **Fact:** Tipped employees do not ever make **\$5.69 per hour**. If a tipped employee does not make enough tips per hour to bring them up to minimum wage the employer is obligated to make up the difference in their paycheck

A brief synopsis and history of our business in Connecticut

- We currently have 11 restaurants in the State of Connecticut
- We employ over 550 hourly team-members with an additional 51 restaurant managers.
- A little over three years ago we had 16 locations in Connecticut.
- In 2010 we unfortunately had to make a very difficult decision to close 5 restaurants. We closed these primarily due to economic challenges & the cost of doing business in Connecticut, specifically server/bartender labor rates.
- This caused the loss of over 250 jobs in the *Waterbury, Newington, Manchester, Orange and Avon locations*. This was personally the hardest thing I have ever had to do in my professional career, and I am committed that we will never have to do this again.
- Since 2008, we have had to close 11 restaurants total (45% of them in Connecticut)

By increasing the minimum wage by \$.45 on January 1, 2015 and an additional \$.45 on January 16, 2016 & additional \$.50 on January 16, 2017 And NOT RAISING the TIP Credit % this would have an immense negative economic effect on the existing eleven Ninety-Nine Restaurants in Connecticut.

- If Passed this minimum wage bill will hurt the chances of our company and many others the opportunity to open more restaurants in the future in Connecticut under the proposed wage rates (which are proportionately HIGHER than surrounding states)

*****Here are the average assumptions for the 11 Ninety-Nine Restaurants in Connecticut
These numbers still hold true after our letter from last year.**

- ❖ Approximately 30 servers will work 500 hrs./wk. in each restaurant
 - Current server labor = \$2,845/wk. (\$147,940/yr.)
 - July 1, 2012 labor costs = \$3,105/wk. (\$161,460/yr.)
 - A difference of \$148,720/yr. in the first year for 11 Ninety-Nine Restaurants in CT
 - A difference of \$294,580/yr. beginning July 1, 2013 for 11 Ninety-Nine Restaurants in CT
- ❖ Approximately 7 bartenders will work 130 hrs./wk. in each restaurant
 - Current Bartender labor = \$954/wk. [\$49,618/yr.]
 - July 1, 2012 labor costs = \$1,041/wk. [\$54,148/yr.]
 - A difference of \$49,821/yr. in the first year for 11 Ninety-Nine Restaurants in CT
 - A difference of \$99,642/yr. beginning July 1, 2013 for 11 Ninety-Nine Restaurants in CT
- ❖ Total increased costs to the 11 Ninety-Nine Restaurants in Connecticut
For the first year 2013 = **\$198,541**
- ❖ Total increased costs to the 11 Ninety-Nine Restaurants in Connecticut
For the second year 2014 = **\$394,222**

Our Team Members and specifically our servers & bartenders primarily make about 75% of their income from guest gratuities. By providing great guest service they earn on average about 18-20% of their sales as tips. (Bartenders are slightly higher at 20-25%)

Example's for a Fulltime Server & Bartender

A typical fulltime server working 30 hours a week generates sales of \$2200

\$440 (\$2200 x .20%) + \$171 (\$5.69 per hour x 30 hours) total of \$611

\$611/30 = **\$20 an hour wage**

A typical fulltime bartender working 30 hours a week generates sales of \$3000

\$750 (\$3000 x .25%) + \$220 (\$7.34 per hour x 30 hours) total of \$970

\$970/30 = **\$32 an hour wage**

Both very fair wages (and FAR ABOVE the Minimum Wage) working in a fair, friendly & flexible work environment. I encourage you to speak with any of our service/bar team members and ask

them about their wages they are earning and their quality of life & contentment with their positions/careers with the Ninety-Nine Restaurants.

This proposed minimum wage Bill WILL significantly hurt all restaurants in the State of Connecticut (large and small) and in the long run force business owners and companies to reduce current labor and staffing levels because the Box Economics WILL NOT work. This will be a LOSE/LOSE for the businesses and consumers in Connecticut with the results costing the loss of more jobs & forcing those in the Restaurant Business to change their labor model to reduce table service and eventually turn more full service restaurants into self-service counter operations like a Panera Bread/Chipotle. Some restaurants are even turning to mobile devices/tablets to save on server labor this is a model many full service may be forced to turn to if tipped minimum wage is still increasing...The great service that is currently received in restaurants today and a big part of the Hospitality Business and the guests dining experience will be a thing of the past.

- The last restaurant we opened in Connecticut was in Killingly/Dayville was in 2009, This turned into being our most successful opening ever at the Ninety-Nine Restaurants. We created 75 jobs in the State of Connecticut, and provided numerous career opportunities.
- Note-Worthy ...Year over year, to off-set inflation we need to slightly increase our menu prices (an average increase of 2.5 %)....every time this happens our service/bar team members receives a cost of living raise.

In Conclusion.... Companies are going out of business & moving out of Connecticut quickly as the State is just making it nearly impossible to survive economically.

We firmly oppose this Bill increasing minimum wage and further more recommend as an avenue to CREATE MORE JOBS in the Hospitality Sector in the State of Connecticut ... that we INCREASE the Minimum Wage Tip Credit.

Thank You for your Time and consideration,

Respectively Submitted on behalf of our Ninety-Nine Restaurant Connecticut Team

Brian Casey - Operations Director Rich Williams – Operations Director

Brant Fahle- Director of HR Jim Kiley- Regional Vice President

Vernon Ninety-Nine Restaurant General Manager ...David Mahaney
Glastonbury Ninety-Nine Restaurant General Manager.....Bradley "Tag" White
Enfield Ninety-Nine Restaurant General ManagerBrian Bliven
Killingly Ninety-Nine Restaurant General ManagerPam Abrantes
Bristol Ninety-Nine Restaurant General ManagerMatt Keal
Wallingford Ninety-Nine Restaurant General Manager.....Eddie Herskowitz
Torrington Ninety-Nine Restaurant General ManagerGretchen Chiasson
Groton Ninety-Nine Restaurant General ManagerAl Mandler
Norwich Ninety-Nine Restaurant General ManagerCarie Niles
Stratford Ninety-Nine Restaurant General ManagerJohn Calcaterra
Cromwell Ninety-Nine Restaurant General ManagerJared Matoy

Thank You Brian

Brian Casey

Operations Director

brian.casey@ninetynine.com

14A Gill Street | Woburn, MA 01801

phone 781-932-5187 | mobile 860-424-2475

www.99restaurants.com



A DIVISION OF AMERICAN BLUE RIBBON HOLDING